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RUEHBJ/AMEMBASSY BEIJING PRIORITY 1751
RUEHKO/AMEMBASSY TOKYO PRIORITY 1618
RUEHIT/AMCONSUL ISTANBUL PRIORITY 2187
RUEKJCS/JOINT STAFF WASHDC PRIORITY
RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY
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SUBJECT: TURKMENISTAN: INTERNATIONAL EMPLOYERS "WAIT AND SEE" TO
RAISE LOCAL STAFF WAGES

REF: ASHGABAT 0770

[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (U) SUMMARY. Local employees for foreign companies and organizations working in Turkmenistan, most of who are paid in dollars, effectively lost 40% value of their salaries since Turkmenistan's government started unifying the dual currency exchange rate in January. While acknowledging the hit that their employees have taken, however, most employers have been cautious about offering their personnel more than token increases. Limited labor market and uncertainties with the 2009 redenomination prevent employers from making rushed decisions. END SUMMARY.

[1](#)3. (U) The U.S dollar has been the dominant foreign currency in circulation since early 1990s, as well as the currency of choice for consumer savings. Due to the weakness of the manat, the dollar was also the means of remuneration for most foreign companies operating in Turkmenistan. (NOTE: Domestic and foreign businesses have been the main suppliers of dollars to the parallel market. END NOTE.)

THE UNIFIED EXCHANGE RATE CHANGES EVERYTHING

[1](#)4. (U) Rapid foreign exchange policy reforms since January 1, and especially the quick jolt on May 1 to further eliminate the dual exchange rate, led to a 40% percent depreciation of the parallel dollar rate against the Turkmen manat. Although the parallel market rate fell from around 24,000 manats per dollar to 14,250 per dollar in the first four months of the year, most consumer prices have risen, some substantially. The dollar depreciation and sharp inflation substantially reduced the effective dollar income of once well-off local employees of international companies and organizations.

MANAT OR MANAT-PEGGED SALARIES REMAIN ADEQUATE

[1](#)5. (SBU) Foreign firms that generate revenue in manats, particularly in construction, retail trade, and services, have not raised their employees' salaries. Companies like Coca-Cola Bottlers and British-American Tobacco feel that the current salaries are still

adequate for their personnel.

DOLLAR SALARIES BEING RAISED SLIGHTLY

¶16. (SBU) Foreign petroleum production and service companies have raised their staff pay by an average of 10-15%, however some of them told an embassy FSN that these raises had been planned before the changes in the exchange rate. A small informal survey conducted by post revealed that only French construction company Bouygues raised its salaries by 40% -- and only after a wave of mass resignations of personnel earlier this spring. Post is not aware of any other similar cases in the private sector.

¶17. (SBU) In general, international organizations and some diplomatic missions -- concerned that they could lose their employees to the private sector -- have provided larger salary raises than those in the private sector. The UK Embassy and the European Bank for Reconstruction and Development have, for example, raised the salaries of their staff by 25% and 40% since the beginning of the year. However, both have a limited number of personnel. The UK Embassy has also considered an additional 15% raise, which would take the total to 40%, but has not made a final decision.

¶18. (SBU) COMMENT: Most international employers are wary of indexing their current payroll expenses to the changes in the dollar exchange rate. Uncertainty about the impact of the upcoming 2009 redenomination of Turkmenistan's currency and current exchange-rate policies are acting as a disincentive for making immediate pay adjustments. Further adding to foreign companies' confusion, it is not yet clear whether President Berdimuhamedov's May 22 call for pay equality between Turkmen nationals and their in-country foreign

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counterparts will become statutory. Even if Turkmenistan decides not to write the equal-pay requirement into law, wages almost certainly will begin to increase as more companies expand their presence in Turkmenistan. In the meantime, while the current limitations of the labor market have ensured that most firms' employees are adopting a wait-and-see attitude and have not yet begun jumping ship despite the decrease in their purchasing power, many of the most skilled workforce personnel have begun seeking employment with firms that can -- and do -- offer higher pay. We expect this trend to accelerate. END COMMENT.

HOAGLAND